

**COPY**

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**IN THE MATTER OF THE PETITION OF UNITED )  
TELEPHONE COMPANY OF INDIANA, INC., d/b/a )  
SPRINT ("SPRINT") TO INITIATE A PROCEEDING )  
IN ACCORDANCE WITH SPRINT'S STIPULATION )  
AND SETTLEMENT AGREEMENT AND THE )  
COMMISSION'S DECEMBER 29, 1999 ORDER IN )  
CAUSE NO. 40785-S3 )**

**RESPONDENT: UNITED TELEPHONE COMPANY )  
OF INDIANA, INC., d/b/a SPRINT ("SPRINT") )**

**CAUSE NO. 40785-S3**

**FILED**  
**OCT 31 2000**

**INDIANA UTILITY  
REGULATORY COMMISSION**

**STIPULATION**

In an Order issued in Cause 40785 on March 26, 1997, the Indiana Utility Regulatory Commission ("IURC" or "Commission") initiated an investigation into any and all matters relating to access charge reform and universal service reform. A Docket Entry issued on February 24, 1998 announced the commencement of a new phase of this investigation concerning Section 254 of the Telecommunications Act of 1996 (47 U.S.C. Section 151 et seq.) ("TA 96"). The Commission thereafter issued a trilogy of orders concerning TA 96; on September 16, 1998 (comparability/affordability Order), October 28, 1998, (254(k) Order), and December 9, 1998 (Access Charge Reform Order).

On January 20, 1999, the Commission issued an Order initiating Cause No. 40785-S3 for purposes of moving the rates of United Telephone Company of Indiana, Inc., d/b/a Sprint ("Sprint" or the "Company") toward compliance with TA 96 and the Commission's directives. On December 29, 1999, the Commission issued its final order in Cause No. 40785-S3, approving the Stipulation and Settlement Agreement ("SSA"), establishing an Alternative Regulatory Plan for Sprint. The SSA provides in part at page 5:

[T]he Commission will conduct a review of the plan, to be completed by December 1 of the fourth year, to determine whether the plan should be continued with or without revision.


On June 6, 2003, Sprint filed a Petition respectfully requesting the Commission initiate a proceeding, in accordance with the above-referenced provision of the SSA, to conduct such review of its Alternative Regulatory Plan. This proceeding was docketed as Cause No. 42459. To facilitate discussions regarding resolution of the issues, the Commission appointed a Commission Testimonial Staff team to negotiate a settlement of the issues in this Cause.

Solely for the purposes of compromise and settlement of the issues in this proceeding, Sprint, the Commission Testimonial Staff and the Indiana Office of Utility Consumer Counselor ("OUCC") (collectively referred to as the "Parties") have met and reached a Settlement Agreement (also referred to herein as the "Agreement") attached hereto which they hereby submit and recommend for approval to the Commission. In the event the Commission does not approve the Settlement Agreement in its entirety and incorporate it in the Final Order in this Cause, the proposed Agreement shall be null and void and deemed withdrawn, unless such change is agreed to by the Parties.

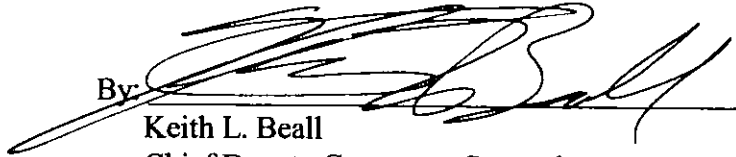
**ACCEPTED and AGREED this 31<sup>st</sup> day of October, 2003.**

**Commission Testimonial Staff**

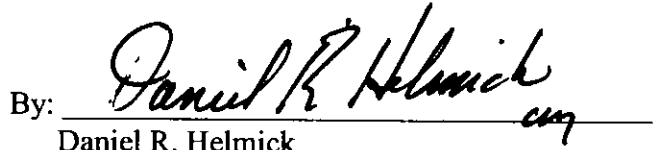
By:   
Joseph M. Sutherland, Chief Operating Officer

By:   
Andrea L. Brandes  
Counsel to the Commission Testimonial Staff

**Indiana Office of Utility Consumer Counselor**

By:   
Keith L. Beall  
Chief Deputy Consumer Counselor

**United Telephone Company  
of Indiana, Inc. d/b/a Sprint**

By:   
Daniel R. Helmick  
State Executive

## **SETTLEMENT AGREEMENT**

WHEREAS Sprint, the Commission Testimonial Staff and the OUCC have met and explored over a period of months various issues related to Cause 42459 and TA 96 and their agreements and differences; and

WHEREAS Sprint, the Commission Testimonial Staff and the OUCC recognize the costs and uncertainty of litigation and the desirability of consensual, voluntary resolution of their differences and the legitimate interests and good faith of each of the Parties in achieving the objectives each desires to achieve; and

WHEREAS the Commission Testimonial Staff and the OUCC are authorized to make recommendations to the Commission regarding a fair and just settlement of differences in the public interest;

WHEREAS The Parties agree and recognize that the local telecommunications marketplace continues to change and evolve. This Agreement, which is the result of negotiation and compromise, intends to reasonably balance the various Parties' interests, as well as provide alternate regulatory procedures and flexibility in anticipation of further competitive market place developments. All Parties agree and recognize that the local telecommunications marketplace will continue to evolve; the Parties agree that, at conclusion of the initial period under this Agreement, it is both appropriate and necessary to review and to assess Sprint's operational characteristics and financial situation as a prerequisite to any request to the Commission for either continued, or some new form of, alternate regulation. This prerequisite review and assessment will provide the appropriate starting point for the Parties and, thereafter, the Commission to best determine and balance the utility and consumer interests within the context of the telecommunications marketplace environment in 2009.

WHEREAS The Parties agree and recognize the importance of and desire to create a regulatory environment that encourages and facilitates the deployment of High Speed Services to

all interested customers, at reasonable prices, throughout the State of Indiana.

NOW, THEREFORE, the Parties agree as follows:

Sprint, the Commission Testimonial Staff, and the OUCC will recommend to the IURC that this Settlement Agreement be adopted by the Commission in an Order or other appropriate formal action that references this Agreement or incorporates all of the provisions hereof. Where appropriate, the Commission may address or reserve other matters ancillary or incidental to the matters addressed in this Agreement, for immediate or future disposition, in a manner not inconsistent with the Agreement. This Agreement includes provisions relating to the following issues:

- A. Alternative Regulatory Plan ("ARP") Purpose
- B. Term
- C. ETC Status And Consumer Education
- D. Pricing Flexibility
- E. High Speed Services Deployment
- F. Service Quality Standards and Billing
- G. Intrastate Access Rates
- H. Exogenous Events
- I. Depreciation
- J. Reporting
- K. Lifeline/Link Up
- L. Schools/Libraries
- M. Measurements/Enforcement
- N. Review During Term of ARP
- O. Competition
- P. Legislation
- Q. Presentation of Agreement
- R. Effect & Use of Agreement

#### **A. ALTERNATIVE REGULATORY PLAN PURPOSE**

The Parties hereto agree that as part of this Settlement Agreement, Sprint shall operate under a modified Alternative Regulatory Plan, pursuant to Ind. Code § 8-1-2.6-1 *et seq.*, to be in effect for a term of five (5) years, starting on January 1, 2004, with an option for annual renewals thereafter as further defined below, in accordance with the renewal provisions in Section B. The Commission will retain full and complete jurisdiction over Sprint, except as otherwise specifically provided for by this Settlement Agreement and that is not expressly declined or supplanted by the express provisions of the Agreement. Sprint binds its successors and assignees to all covenants of the Agreement.

#### **B. TERM OF SETTLEMENT AGREEMENT**

1. A minimum of nine (9) months prior to the end of the five (5) year term Sprint shall begin informal discussions with Commission Staff and the OUCC regarding the continuation of the Alternative Regulatory Plan.
2. A minimum of six (6) months prior to the end of the five (5) year term Sprint shall make a filing with the Commission requesting the initiation of a formal Cause in which Sprint's future regulatory status will be determined. The filing shall also be served on all parties to Cause 42459. Parties to Cause 42459 shall be free to take whatever position each deems appropriate within the framework laid out below, including but not limited to, the right to settle, the right to take any litigation position they choose, and the right to offer their own alternative ARP proposal. This filing by Sprint shall identify one of the following options:
  - a. The term of the current ARP as approved by the Commission should be extended for an additional one (1) year period without modification; or,
  - b. A declaration that Sprint does not wish to renew the existing ARP in its current form but does wish to seek the implementation of a modified ARP; specifically identifying what parts it will seek to modify, or a return to traditional rate of return regulation.

This Sprint filing shall also identify and demonstrate how the request is in the public interest, including supporting evidence. This supporting evidence shall, at a minimum, include the following:

- i. Documentation that all terms of the current five (5) year Agreement have been complied with;
- ii. A detailed report on service quality that, at a minimum, shows quarterly and overall compliance throughout the past five (5) years with all Commission rules and all provisions of the Agreement that relate to service quality;
- iii. A detailed report on competition within Sprint's footprint. This shall include, at a minimum, the status of competition from both wireline and wireless competitors as well as other influences the Company believes are pertinent. Data should be provided for each calendar year of the original five (5) year Agreement and should, at a minimum, include all information requested by the Commission in its annual industry survey. Any data should be accompanied with an explanation of how the current plan has impacted, either positively or negatively, the competitive environment within the Sprint territory;
- iv. Adequate financial information, beyond what has already been provided through documents such as Sprint's Annual Report to the Commission, demonstrating how ratepayers have benefited from the previous ARP and how they will continue to benefit through this request. The Parties further agree to discuss the scope and extent of this prerequisite review when better able to assess the circumstances and competitive environment at that future point in time consistent with the schedule agreed to below. Notwithstanding, this report should identify and summarize all aspects of the Company's then current financial and operational conditions and circumstances. In addition to filing and providing the Staff and OUCC with copies of Sprint's most recent IURC annual report, Sprint shall also provide the following minimum financial and operational information on a total company basis for comparison of the most current three year period: (1) a detailed Balance Sheet, (2) a detailed Income Statement, and (3) a detailed report identifying plant information showing additions and retirements. Also, Sprint shall provide a list that identifies each company and the summary surrounding all transaction amounts between Sprint and each affiliated company, and the current form PR in the IURC's annual report on a jurisdictional basis and total company basis. Sprint agrees that it will work cooperatively with the Parties in providing any reasonable financial and operational details supporting the information identified immediately above.

3. If Sprint requests Commission approval to continue the current ARP without modification, Commission Staff and the OUCC shall have thirty days (30) after the six (6) month filing to notify Sprint and the Commission of its objections and opposition to Sprint's request by making a formal filing with the Commission. If no objection is received during this timeframe the filing will be formally presented for approval by the Commission.
  - a. Should Commission Staff or the OUCC object to a one (1) year continuation of the current Agreement through the above process the initiated Cause shall be used to resolve and implement a new regulatory structure for the Company. If a replacement structure, either a one year renewal of the existing agreement or a new agreement, is not in place by order of the Commission by December 31, 2008, the ARP will continue on an interim basis for a period of ninety (90) days, subject to a true-up until the Commission issues an Order approving a new regulatory framework. If new terms are not approved by the Commission within such ninety (90) day period, this Settlement Agreement shall cease by its terms. Sprint will lose all pricing flexibility as provided for under the current Agreement, and rates and charges will be capped at the current tariffed rates as of the Agreement's expiration.
  - b. If a one (1) year renewal is sought by Sprint and thereafter approved by the Commission without objection of Staff or the OUCC the current Agreement will extend without modification until December 31, 2009, and renew each year thereafter in one (1) year increments unless Sprint, Staff, the OUCC or the Commission initiates a proceeding to modify the terms. If Sprint chooses to pursue a renewal or modification, the same minimum information as described in paragraph B.2 shall be filed with the Commission on or before October 15<sup>th</sup> of that year. A request to modify by Commission Staff or the OUCC must be filed with the Commission no later than November 15<sup>th</sup> of any given year to affect the next 12 month renewal calendar period. If the Commission should initiate a proceeding to review Sprint's regulatory status on or after January 1, 2009, the then current terms shall remain in effect for a period of not longer than one (1) year. If new terms are not approved by the Commission within one (1) year, all pricing flexibility available to Sprint under the terms of the current agreement will be lost, and all rates and



charges will be capped at tariffed levels in place with the Commission as of the one (1) year expiration.

- c. The Commission may, at any time while this Agreement is in effect, exercise its statutory authority to initiate a review of Sprint's compliance with this Agreement and/or the overall regulatory status of Sprint generally.

### **C. ETC STATUS AND CONSUMER EDUCATION**

1. Sprint shall not seek to withdraw its ETC certification or otherwise seek to abandon any of its local exchange service territory during the term of the Settlement Agreement. This paragraph does not preclude the sale or trade of any of Sprint's local exchange service territory to another provider that will assume ETC status. However, such transactions will be subject to IURC review and approval pursuant to the IURC's then applicable statutory authority.
2. Sprint will develop and disseminate educational information for residential customers on relevant topics such as slamming, cramming, Lifeline/Linkup and competition. Sprint shall develop and disseminate such information and communicate and share such materials and plans with the Staff and the OUCC over the course of the full term of the Settlement Agreement.
3. Sprint shall comply with the FCC's and the IURC's slamming and cramming rules.

### **D. PRICING FLEXIBILITY**

Sprint will implement a modified Price Regulation Plan to be effective upon Commission approval of the Settlement Agreement. During the term of the Agreement, the specific terms of the Price Regulation Plan will replace the current Price Regulation Plan and will be the basis upon which Sprint's rates and services will be regulated, provided, however, the Commission shall retain full and complete jurisdiction over Sprint except where specifically identified and provided herein. The features of the Price Regulation Plan are described in Exhibit A of this Agreement.

## **E. HIGH SPEED SERVICES DEPLOYMENT**

1. "High Speed Services" is defined as connection speed of a minimum of 200 Kbps in at least one direction, upstream or downstream, pursuant to the definition currently adopted by the FCC in CC Docket No. 98-146, Second Report (rel. August 21, 2000).
2. During calendar years 2004 – 2008 Sprint or an affiliate or a partner will continue to deploy High Speed Services infrastructure and technology under the following terms and conditions:
  - a. The Central Offices or DLCs selected for deployment will be at the discretion of Sprint.
  - b. The specific technology to be deployed will be at the discretion of Sprint as long as the deployment meets the definition of High Speed Services as it is defined in this Agreement.
  - c. A minimum of 50% of Sprint's exchange access lines will have High Speed Services available by January 1, 2006.
  - d. A minimum of 70% of Sprint's exchange access lines will have High Speed Services available by December 31, 2008.
  - e. Exchanges in which another provider, unaffiliated with Sprint or one of its affiliates, offers High Speed Services, as defined in Section E.1., such as DSL or Cable Modem service, can be included in satisfying the percentage thresholds to an amount not to exceed 5% of total exchange access lines. High Speed Services availability provided by an entity of which Sprint, or one of its affiliates is a part (e.g., a partnership or joint venture) is not subject to this 5% limitation.
  - f. Sprint agrees to create a technology partnership that includes a representative of the IURC and the OUCC to explore and encourage the expansion of High Speed Services opportunities within Indiana. Through this partnership a process will be developed in which Sprint will work cooperatively with all communities interested in High Speed Services through interaction between Sprint representatives and local officials/business leaders in Sprint's service area. A key component of this collaborative process is for Sprint to communicate the benefits of High Speed Services, including but not limited to DSL, and explore ways to expand High Speed Services take rates within the State of Indiana. Representatives of the partnership will establish their meeting schedule but in no case will it meet less than twice annually.

- g. Sprint shall track the progression of its High Speed Services roll out under this section and report annually to the Commission and OUCC, including identification of those levels Sprint believes qualify for consideration under Section E(2)(e).

#### **F. SERVICE QUALITY STANDARDS AND BILLING**

Sprint will continue to comply with the Commission's service quality and billing standards as established in 170 IAC 7-1.2 and 170 IAC 7-1.3 effective February 3, 2003. Current rules require measurements for Troubles per 100, Out of Service Cleared in 24 hours and Service-Affecting cleared in 48 hours to be monitored at a company level. Sprint will provide performance results for these three measures in a disaggregated form in addition to statewide results. For the disaggregation, the state will be divided into a northern sector, middle sector and southern sector, attempting to distribute customers equally across the three zones. Sprint will propose the zones and such designations shall be submitted to and approved by the IURC Telecommunications Director or designee. If the Commission believes service quality performance results, as defined in 170 IAC 7-1.2, have not been met, Sprint will be given notice and reasonable time to come into compliance. If Sprint has failed to come into compliance within a reasonable time following the notice and hearing, the Commission may suspend any or all of the pricing flexibility granted as part of this Agreement. Whether Sprint has come into compliance within a reasonable time shall be determined by the Commission.

#### **G. INTRASTATE ACCESS RATES**

The Parties note the Commission has previously recognized that, due to the level of competition in the Indiana toll market, reductions in access charges should provide benefits to Indiana consumers through reduced toll prices in the State of Indiana. Should there be any material changes in the Indiana toll marketplace, the Commission has determined that the issue of tracking toll prices may be considered in future access reform actions in Cause No. 40785. Further, nothing in this Agreement is intended to limit or foreclose the OUCC from reviewing or requesting information that demonstrates the expected consumer benefits that result from the access reforms agreed to herein. Sprint will implement the following access reductions as a further step in its reform of access rates:

1. On or before July 1, 2004, Sprint will shift all CCLC revenues to the PICC on a revenue neutral basis.
2. On or before July 1, 2004, Sprint will match its traffic sensitive intrastate rates with its traffic sensitive interstate access rates. For the revenue reduction resulting from the matching of interstate traffic sensitive switched access rates, Sprint will shift 75% of the revenues to the PICC.
3. On or before January 1, 2006, Sprint will remove from the PICC rate elements the traffic sensitive revenues transitioned to the PICC pursuant to (2.) above.
4. On or before January 1, 2007, Sprint will reduce its PICC revenues by \$400K. Thereafter, Sprint will cap its intrastate switched access rates at the resulting levels. The proposed PICC rates are displayed in Table A.
5. On or before July 31, 2007, Sprint will initiate a review with the Parties concerning the appropriateness of Sprint's implementing any further access reform in compliance with IURC and TA96 requirements.

Table A - Proposed PICC Rates

	<b>Current PICC Rate</b>	<b>Proposed PICC Rate July 1, 2004</b>	<b>Proposed PICC Rate January 1, 2006</b>	<b>Proposed PICC Rate January 1, 2007</b>
<b>InterLATA</b>				
Residence				
Primary	0.20	0.6825	0.5894	0.5497
Residence Non				
Prim	0.49	1.6720	1.4440	1.3467
Single Line Bus	0.20	0.6825	0.5894	0.5497
Multi Line Bus	0.84	2.8664	2.4755	2.3087
ISDN - BRI	0.20	0.6825	0.5894	0.5497
ISDN - PRI * 5	0.84	2.8664	2.4755	2.3087
Centrex	0.10	0.3412	0.2947	0.2748
<b>IntraLATA</b>				
Residence				
Primary	0.20	0.6825	0.5894	0.5497
Residence Non				
Prim	0.49	1.6720	1.4440	1.3467
Single Line Bus	0.20	0.6825	0.5894	0.5497
Multi Line Bus	0.84	2.8664	2.4755	2.3087
ISDN - BRI	0.20	0.6825	0.5894	0.5497
ISDN - PRI * 5	0.84	2.8664	2.4755	2.3087
Centrex	0.10	0.3412	0.2947	0.2748

## **H. EXOGENOUS EVENTS**

Sprint, or any signatory to the Agreement or the Commission on its own Motion, may petition the Commission for approval of rate adjustments as the result of Exogenous Events. "Exogenous Events" are defined as compliance by Sprint with a state or federal regulatory or legislative change that: (1) has a direct and material impact on Sprint's net operating income or capital costs exceeding five hundred thousand dollars (\$500,000); and (2) is in effect, applicable to Sprint, and not stayed pending judicial appeal. Sprint, or the moving party, shall bear the burden of proof that an alleged Exogenous Event has in fact occurred and that any requested rate adjustments are merited as a result of said Exogenous Event.

## **I. DEPRECIATION**

The Commission will decline to exercise jurisdiction over depreciation under the provisions of IC 8-1-2 Sections (19-26). However, Sprint will continue to maintain sufficient records to annually track depreciation expenses consistent with traditional rate of return regulatory practices, including filing such information as part of Sprint's annual report to the IURC.

## **J. REPORTING**

1. Sprint will continue to comply with all applicable Commission reporting requirements.
2. In addition to its existing reporting requirements, within thirty (30) days of the end of each year of the term of the Plan, Sprint will provide to the Commission and the OUCC a market performance report, analyzing any of the following changes during that year:
  - a. Changes in revenue or quantities in service for basic local exchange service offerings for CLECs operating in its territories, to the extent known by Sprint, following Sprint's reasonable inquiry;
  - b. Changes in the number of authorized competitive providers for Sprint service offerings;
  - c. Changes in the business and residential market shares of Sprint, and in the aggregate, corresponding changes in market shares for competitive providers of Sprint service offerings, to the extent known by Sprint, following Sprint's reasonable inquiry;

- d. Other factors identified by Sprint relating to the development of competition for its basic local exchange service offerings.
3. The market performance report shall supplement, but shall not replace, any market performance or local exchange competition reports or surveys that Sprint is already required to file with the IURC (including, but not limited to, the local competition survey currently included as Section LC in the Commission's annual telephone company report).
4. Sprint shall also provide an annual report to the Commission and the OUCC of its High Speed Services roll out efforts and progress, as well as the other requirements as more fully described in Section E above.

#### **K. LIFELINE/LINK UP**

1. During a specified 30-day period during each year that the Settlement Agreement remains in effect, Sprint will waive non-recurring service order and central office connection charges for Lifeline/Link Up eligible customers. The waiver of these charges is in addition to the 50% credit for service connection charges available to eligible Lifeline/Link Up customers and, when combined therewith, will completely cover all service order and central office installation charges.
2. For previously disconnected customers who are eligible for Lifeline/Link Up, Sprint will allow these customers to subscribe to local service with Toll Blocking without full payment of any past due balances. Sprint agrees and commits that it will partner and work with these customers to develop a reasonable payment plan for past due balances that encourages, to the fullest extent reasonably possible, the reinstatement and/or maintenance of that customer's connection to the telephone network under a plan that is mutually beneficial. Toll Blocking restrictions will remain until all past due balances are paid and all deposit requirements are met. Toll Blocking restrictions will be provided at no charge.
3. Lifeline/Link Up customers will be provided Calling Party Number blocking at no charge.
4. On an annual basis, Sprint will provide a bill insert message that informs customers of the availability of Lifeline/Link Up. This will be in addition to any consumer education efforts related to Lifeline/Linkup programs envisioned under Section C. above.

5. Sprint agrees to inform customers, who are in danger of being disconnected due to nonpayment, of the availability of the Lifeline/Linkup programs and other ways customers would be able to reduce their monthly bills so as to reduce the likelihood of disconnection of telephone services.

#### **L. SCHOOLS/LIBRARIES**

1. Sprint will provide customer assistance to schools and libraries applying for federal universal service funding.
2. Sprint will provide at least one annual Sprint Education Technology seminar for schools and libraries during the term that this Settlement Agreement remains in effect to explain the federal universal service funding, to assist in application submittal, and to describe products and services targeted to these market segments.

#### **M. MEASUREMENTS/ENFORCEMENT**

1. By January 31 of each year during the term that this Settlement Agreement remains in effect, Sprint will file with the Commission a report specifically identifying the number of customers subscribing to Lifeline/Link Up by exchange.
2. By January 31 of each year during the term that this Settlement Agreement remains in effect, Sprint will file with the Commission a report identifying the following:
  - a. A list of Schools and Libraries invited and in attendance at the Education Technology Seminar;
  - b. The Education Technology Seminar's date, location and number of attendees;
  - c. The number of applications received for submittal; and
  - d. The number of Sprint customers receiving funding from the federal universal service schools and library program.
3. Upon its own motion or at the request of any Party hereto, the Commission may conduct a hearing to determine whether Sprint has failed to perform any of the obligations imposed upon Sprint by the Settlement Agreement. If after notice and hearing the Commission determines that Sprint has failed to perform an obligation imposed herein, Sprint agrees to take any corrective action ordered by the Commission and, if ordered by the Commission, to

pay a penalty for the failure to perform. Any penalty imposed by the Commission pursuant to this provision shall not exceed two hundred thousand dollars (\$200,000), per offense. Any penalties imposed pursuant to this Section shall be paid in the form of customer refunds as specified by the Commission.

#### **N. REVIEW DURING TERM OF ARP**

1. At any time during the term of the ARP, the Commission may, upon its own motion or upon the motion of any Party to the Settlement Agreement, take any of the following actions:
  - a. conduct a review of Sprint's compliance with the terms of this Settlement Agreement;
  - b. conduct a review of Sprint's compliance with applicable law, including, but not limited to, the Commission's Orders in Cause No. 40785; or
  - c. order a rate adjustment as a result of Exogenous Events.
2. Furthermore, if the Commission believes that Sprint has failed to comply with the terms of the Agreement, the Commission shall give Sprint notice and a reasonable period of time to come into compliance. The Commission shall not revoke or suspend the Settlement Agreement or any provision thereof, unless the Commission determines after notice and hearing that Sprint has failed to materially comply with the terms of the Agreement and has failed to come into compliance within a reasonable period of time following its receipt of the Commission's notice.

#### **O. COMPETITION**

1. The Parties believe that this Settlement Agreement should foster competition. To promote competition in its service territories, Sprint will continue its discounts and policies of:
  - a. Resale
    - (i) Sprint will offer its Message Line service (voice mail), for resale at retail rates; and
    - (ii) Sprint will continue its discount rate in its Master Resale Agreement of 15%. The discount rate will not be lower than 15% during the five (5) year term of this Agreement.
  - b. Physical Collocation

Sprint will implement the following FCC-required policies regarding collocation without objection or appeal:



- (i) collocation space in increments small enough to collocate a single equipment rack or bay;
- (ii) the option of requesting cageless or security enclosed collocation space;
- (iii) access to collocation space at any time and elimination of security escort requirements and charges to that space;
- (iv) shared collocation space; and
- (v) provision of information regarding available collocation space via a publicly accessible internet site.

## 2. SECTION 251/252 SERVICES, FUNCTIONALITIES, AND ELEMENTS

- a. Except for the provisions of O. 1., notwithstanding any other provision of this Settlement Agreement or the ARP described herein, this ARP does not apply to any services, functionalities, or elements described in Sections 251 or 252 of the Telecommunications Act of 1996 – e.g., unbundled network elements (UNEs), collocation, interconnection, transport and termination/reciprocal compensation. Prices and costs for those services, functionalities, or elements will be determined according to the provisions of Section 252(d) or other applicable federal or state law.

## **P. LEGISLATION**

The Parties agree not to propose, endorse, or seek legislation that would, by mandate, eliminate, limit, expand, or reduce the Parties' obligations with respect to any of the obligations herein imposed upon the Parties. In the event legislation is passed which, by mandate, eliminates, limits, reduces, or expands Sprint's obligations under the Agreement or, in the event there is a change in the law that substantially changes the Commission's jurisdiction over incumbent local exchange telephone companies, the Parties agree that they will abide by all of the commitments made in the Agreement throughout the original five (5) year term and any subsequent renewals. In the event that there is a change in law that, in the sole determination of the Commission, significantly modifies the Commission's jurisdiction or sovereignty over the setting of retail or wholesale rates and charges in Indiana, the Commission may reassert its jurisdiction over Sprint as it deems appropriate, consistent with the requirements of IC 8-1-2.6.

## **Q. PRESENTATION OF AGREEMENT TO THE COMMISSION**

The Parties shall move for the admission of this Agreement into evidence at the hearing in this Cause scheduled for December 8, 2003. Sprint shall sponsor, and all other Parties shall not oppose, evidence, including testimony and exhibits, as may be required to support Commission approval of this Agreement. Parties shall be permitted to jointly sponsor witnesses.

#### **R. EFFECT AND USE OF AGREEMENT**


1. This Agreement shall not, in whole or in any part, constitute or be cited as precedent or deemed an admission by any Party in any other proceeding except as necessary to enforce its terms before the Commission or any court of competent jurisdiction. This Agreement is solely the result of compromise in the settlement process, shall not constitute a concession of subject matter jurisdiction, and except as expressly provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Parties may take with respect to any or all of the items resolved herein in any future regulatory or other proceedings and, failing approval by this Commission, shall not be admissible or discussed in any subsequent proceedings.
2. The evidence in this Cause constitutes substantial evidence sufficient to support the Agreement as a whole and provides an adequate evidentiary basis upon which the Commission can make any finding of fact and conclusions of law necessary for the approval of the Agreement, as filed.
3. In the event this Cause is required to be litigated, the Parties expressly reserve all of their rights to make objections and motions to strike with respect to all testimony and exhibits and their right to cross-examine the witnesses presenting such testimony and exhibits.
4. The undersigned have represented and agreed that they are fully authorized to execute this Agreement on behalf of their designated clients who will be bound thereby.
5. The Parties to this Agreement shall not appeal the agreed Final Order or any other Commission order to the extent such order specifically implements all provisions of this Agreement and shall, subject to the resources available to the IURC Staff and the OUCC, make a good faith effort to support this Agreement in the event of any appeal by a person not a Party hereto.

6. The communications and discussions during the negotiations and conferences that produced the Agreement have been conducted on the explicit understanding that they are or relate to offers of settlement and therefore are privileged and not admissible in any proceeding.
7. This Agreement shall be binding on all Parties and their successors in interest.

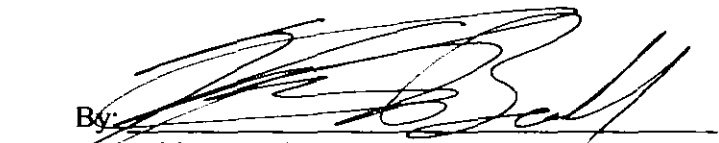
**ACCEPTED and AGREED this 31<sup>st</sup> day of October, 2003.**

**Commission Testimonial Staff**


By:   
Joseph M. Sutherland, Chief Operating Officer

By:   
Andrea L. Brandes  
Counsel to the Commission Testimonial Staff

**Indiana Office of Utility Consumer Counselor**

By:   
Keith L. Beall  
Chief Deputy Consumer Counselor

**United Telephone Company  
of Indiana, Inc. d/b/a Sprint**

By:   
Daniel R. Helmick  
State Executive

## **EXHIBIT A**

### **Price Regulation Plan**

#### **1. Categorization of Sprint Services**

Exhibit B describes Sprint's general services from its tariff and the specific categories assigned to those general services. The categories include: Tier 1 - BLS/BLS Related; Tier 2 - Vertical Services; and Tier 3 - Competitive/Other, Bundles/Feature Packages and New Products/Services. Tier 1 - BLS/BLS Related are services such as R1 and B1 and related services such as ordering and extensions. Tier 2 - Vertical Services are services added to BLS/BLS Related that are optional. Tier 3 - Competitive/Other, Bundles/Feature Packages and New Products/Services are services that fall into a broad range of services. For example, they are services that are offered by carriers such as IXC's, AOS, services that could have been offered prior to TA-96, such as private line, or services that have been deemed to be eligible for pricing flexibility, such as ISDN. Bundles are a group of products that are individually offered and sold together as a group to the customer at a discount. New Services/Products and CSOs, are included in the Tier 3 service category, as are PBX and Key Trunks, when a facilities based competitor is present.

Sprint may offer CSOs when at least one facilities-based competitor is also providing service. Sprint may offer a CSO for any service, if the nature of the requested service is unique or significantly different from existing tariff offerings, if the service is required prior to general availability, if special design criteria are used to provide the service, or if a customer requires Enhanced 9-1-1 Service. Should the Commission initiate a generic CSO or related proceeding during the term of this Agreement, Sprint agrees that it will comply with any generic requirements or obligations that supercede these requirements.

#### **2. Pricing of Sprint Services**

The Tier 3 category of services has complete pricing flexibility, with rate changes effective upon one-day's notice, providing price floor requirements set forth in Section 5 of this Exhibit are adhered to. The Tier 2 category has pricing flexibility, but no automatic increases or decreases in rates; rather, all rates must be approved by the IURC and the process is described in the Tariff Approval Process. Tier 1 rates shall be capped at current levels. PBX and Key trunk will have complete pricing flexibility and become a Tier 3 service if a facilities based competitor offers basic local service to PBX and key trunk customers.

#### **3. Tariff Approval Process**

For the Tier 2 category, the tariff approval process is as follows:

- a. Price increases or decreases or new service configurations for Tier 2 services will be filed with the Commission (with copies concurrently provided to the OUCC) and will become effective ten (10) business days after the filing date subject to the following requirements:

- (i) For rate reductions, a TSLRIC study will be submitted demonstrating that the new price exceeds TSLRIC + 10%. The cost study will be treated as confidential and proprietary per IC 8-1-2-29.
  - (ii) Sprint will also provide affected customers notice not less than twenty-four (24) hours prior to any price change.
  - (iii) Any petition in opposition to Sprint's proposed tariff shall be submitted to the Commission within ten (10) business days of the tariff filing date. All petitions shall contain the specific objections to Sprint's filing. A letter from the Director of Telecommunications to the Chief ALJ within ten (10) business days of the tariff filing date shall be deemed a petition in opposition to the proposed tariff. Sprint may submit its reply to any and all such petitions within seven (7) business days thereafter.
  - (iv) Unless a Commission Order to suspend, alter or amend the tariff filing is entered on its own motion or after all filings have been submitted pursuant to the above paragraph, the tariff will become effective as filed. Such Order shall be issued no later than thirty (30) days after the tariff filing date.
- b. Increases to the rates for the services in Tier 2, in the aggregate, may not exceed 8.75% of the overall annual revenue for Tier 2 Services for each year of the Agreement.

Sprint, the IURC staff, and the OUCC will work together to develop agreed upon methodologies and appropriate filing procedures within ninety (90) days following the Agreement being approved.

#### 4. Exchange Specific Pricing

For all services, Sprint may lower the tariffed rate in a specific exchange where a facilities based competitor offers the same or comparable service at a lower rate than Sprint. Sprint's reduced rate must meet the price floor.

#### 5. Price Floor

A TSLRIC study will be submitted with each tariff filing involving a rate reduction or introduction of a new regulated service to demonstrate that the new price exceeds TSLRIC + 10%. For individual CSOs the price floor is TSLRIC + 1%. In the aggregate, the calculated revenues for all CSOs in service during a specified twelve month period must exceed the calculated TSLRIC by at least 10%. The cost study will be treated as confidential and proprietary per IC 8-1-2-29. Sprint, the IURC staff, and the OUCC will work together to develop a template for the TSLRIC study within ninety (90) days following the Agreement being approved.

6. Inventory of CSOs

Sprint will maintain an inventory of CSOs and provide an update to the Director of Telecommunications at the IURC within 10 working days of the end of each quarter during the term of the Agreement. The update will include:

CSO #	CUSTOMER NAME	SERVICES	CONTRACT TERM	ANNUAL COST	ANNUAL REVENUE	CONTR %
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The underlying contracts and cost studies supporting each CSO will be available to the Telecommunications Division of the IURC upon 10 days notice to Sprint.

## EXHIBIT B

### Service Categories

<b><u>Sprint Services</u></b>	<b><u>Service Categories</u></b>
IURC T-2	
Combination Main Station	Tier 1
Emergency Conference Service	Tier 1
Exchange Line Mileage	Tier 1
Extension Service	Tier 1
Information Services (toll blocking, dialing restriction)	Tier 1
Line/Loop Treatment - Extended Services	Tier 1
Local Exchange Service (R1, B1)	Tier 1
Payphone Line Service	Tier 1
Rotary Service	Tier 1
Service Order Charges (BLS Related)	Tier 1
PBX Trunk and Key Trunk	Tier 1/Tier 3 with facilities based competitor present
Automatic Announcement	Tier 2
Custom Calling Features Except Speed Dial	Tier 2
Directory Listings	Tier 2
Dishonored Check Charge	Tier 2
Enterprise (Transfer of Toll Service)	Tier 2
Express Touch (Advanced Custom Calling Features)	Tier 2
Seasonal Services	Tier 2
Simplified Message Desk Interface	Tier 2
Sprint Privacy ID	Tier 2
Sprint Talking Call Waiting	Tier 2
TSP Service	Tier 2
Vacation Service	Tier 2
Speed Dial	Tier 3
Centrex	Tier 3
Centrex Service II	Tier 3
Custom Calling and Express Touch Feature Packages	Tier 3
Derived Channel Services	Tier 3
Directory Assistance	Tier 3
ISDN	Tier 3
New Services	Tier 3
Operator Services	Tier 3
QZ Billing (toll billing)	Tier 3
Sprint Solutions	Tier 3
Joint User Service	grandfathered
DID functionality	no applicable charges
IURC T-4	
Private Line	Tier 3
Message Toll	Tier 3

**CERTIFICATE OF SERVICE**  
**Cause No. 42459**

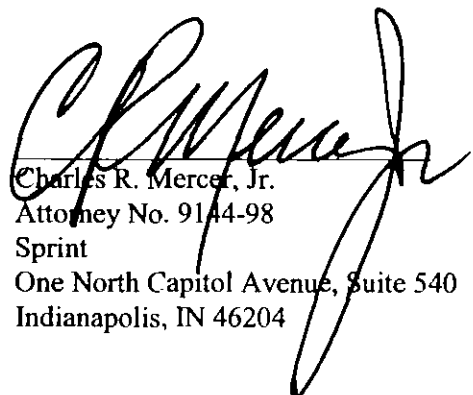
**The undersigned counsel hereby certifies that on the 31<sup>st</sup> day of October, 2003, an original and 13 copies of the foregoing document, the "Stipulation and Settlement Agreement" were delivered to the Indiana Utility Regulatory Commission and a copy was served upon the following counsel by United States Mail, first class postage prepaid:**

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